

**REPORT OF THE AUDIT OF THE
WARREN COUNTY
SHERIFF'S SETTLEMENT - 2006 TAXES**

For the Period May 1, 2006 through April 26, 2007

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132
www.rosscpas.com

<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT	1
SHERIFF’S SETTLEMENT - 2006 TAXES	3
NOTES TO FINANCIAL STATEMENT	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	9

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132
www.rosscpas.com

To the People of Kentucky

Honorable Ernie Fletcher, Governor
Robert M. Burnside, Secretary
Finance and Administration Cabinet
Honorable Michael O. Buchanon, Warren County Judge/Executive
Honorable Jerry "Peanuts" Gaines, Warren County Sheriff
Members of the Warren County Fiscal Court

Independent Auditor's Report

We have audited the Warren County Sheriff's Settlement - 2006 Taxes for the period May 1, 2006 through April 26, 2007. This tax settlement is the responsibility of the Warren County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Warren County Sheriff's taxes charged, credited, and paid for the period May 1, 2006 through April 26, 2007, in conformity with the modified cash basis of accounting.

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robert M. Burnside, Secretary

Finance and Administration Cabinet

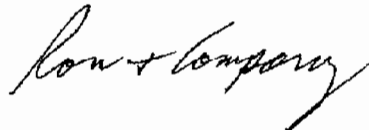
Honorable Michael O. Buchanon, Warren County Judge/Executive

Honorable Jerry "Peanuts" Gaines, Warren County Sheriff

Members of the Warren County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2007 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", written in a cursive style.

Ross & Company, PLLC
Certified Public Accountants

August 30, 2007

WARREN COUNTY
JERRY "PEANUTS" GAINES, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2006 TAXES

For the Period May 1, 2006 through April 26, 2007

Charges	County Taxes	Special Taxing Districts	School Taxes	State Taxes
Real Estate	\$ 6,734,514	\$ 1,018,114	\$ 15,682,286	\$ 6,408,052
Tangible Personal Property	1,194,912		2,136,533	2,439,732
Fire Protection	1,488			
Increases Through Exonerations	4,516	546	10,662	14,172
Franchise Corporation	338,489		454,382	
Additional Billings	24,355		44,494	23,121
Oil and Gas Property Taxes	5,648		15,772	5,355
Limestone, Sand, and Mineral Reserves	1,301		3,633	1,233
Penalties	38,535	6,588	83,769	39,331
Adjusted to Sheriff's Receipt	(142)	51	12	(189)
Gross Chargeable to Sheriff	\$ 8,343,616	\$ 1,025,299	\$ 18,431,543	\$ 8,930,807
Credits				
Exonerations	\$ 35,810	\$ 1,985	\$ 80,213	\$ 37,620
Discounts	129,895	16,471	293,515	144,970
Delinquents:				
Real Estate	26,499	7,307	40,614	25,121
Tangible Personal Property	4,567		7,720	8,557
Total Credits	\$ 196,771	\$ 25,763	\$ 422,062	\$ 216,268
Taxes Collected	\$ 8,146,845	\$ 999,536	\$ 18,009,481	\$ 8,714,539
Less: Commissions *(See Page 4)	346,528	24,569	360,190	370,655
Taxes Due	\$ 7,800,317	\$ 974,967	\$ 17,649,291	\$ 8,343,884
Taxes Paid	7,742,873	974,967	17,530,135	8,302,532
Refunds (Current and Prior Year)	57,739		119,156	41,629
Due Districts or (Refunds Due Sheriff)				
as of Completion of Fieldwork	\$ (295)	\$ 0	\$ 0	\$ (277)

The accompanying notes are an integral part of this financial statement.

WARREN COUNTY
 JERRY "PEANUTS" GAINES, SHERIFF
 SHERIFF'S SETTLEMENT – 2006 TAXES
 For the Period May 1, 2006 through April 26, 2007
 (Continued)

* Commissions:		
10% on	\$	10,000
4.25% on	\$	17,299,815
2% on	\$	18,009,481
1% on	\$	551,053

WARREN COUNTY
NOTES TO FINANCIAL STATEMENT

April 26, 2007

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENT
April 26, 2007
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a depository institution's failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 26, 2007, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2006. Property taxes were billed to finance governmental services for the year ended June 30, 2007. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 20, 2006 through April 26, 2007.

Note 4. Interest Income

The Warren County Sheriff earned \$88,111 as interest income on 2006 taxes. The Sheriff was in substantial compliance with his statutory responsibility regarding interest.

Note 5. Sheriff's 10% Add-On Fee

The Warren County Sheriff collected \$111,667 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Warren County Sheriff collected \$14,280 of advertising costs and advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff pays for the advertising costs, therefore, these amounts were transferred to the fee account. The advertising fees were used to operate the Sheriff's office.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.090, property is presumed abandoned after three years, after which time it is turned over to the Kentucky State Treasurer in accordance with KRS 393.110. For the 2006 taxes, the Sheriff had \$333 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

WARREN COUNTY
NOTES TO FINANCIAL STATEMENT
April 26, 2007
(Continued)

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed
(Continued)

The Tax Escrow Account is used to deposit any unrefundable duplicate payments and unexplained receipts in an interest bearing account. The beginning balance as of January 1, 2006, was \$10,481. The account earned interest in the amount of \$161. An additional \$334 of unclaimed monies was deposited into the account, \$9 in refunds was issued, and \$829 was distributed to the Sheriff for interest earned cumulatively on the account. The time elapsed on \$9,218 of unexplained receipts and was distributed to the Kentucky State Treasurer resulting in an ending balance of \$920 as of December 31, 2006.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

ROSS & COMPANY, PLLC
Certified Public Accountants
800 Envoy Circle
Louisville, KY
Telephone (502) 499-9088
Facsimile (502) 499-9132
www.rosscpas.com

The Honorable Michael O. Buchanon, Warren County Judge/Executive
Honorable Jerry "Peanuts" Gaines, Warren County Sheriff
Members of the Warren County Fiscal Court

Report On Internal Control _____ Over Financial
Reporting And On Compliance And Other Matters Based On An Audit
Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Warren County Sheriff's Settlement - 2006 Taxes for the period May 1, 2006 through April 26, 2007, and have issued our report thereon dated August 30, 2007. The Sheriff's office prepares the financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Warren County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Warren County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Warren County Sheriff's Settlement - 2006 Taxes for the period May 1, 2006 through April 26, 2007, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Warren County Fiscal Court and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ross & Company", is written over a horizontal line.

Ross & Company, PLLC
Certified Public Accountants

August 30, 2007

